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THE VALUE OF TRADE ASSOCIATIONS

By EMMETT HAY NAYLOR

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The Value of Trade Associations

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EMMETT HAY NAYLOR

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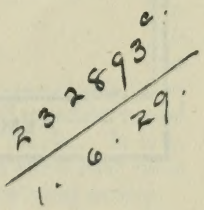

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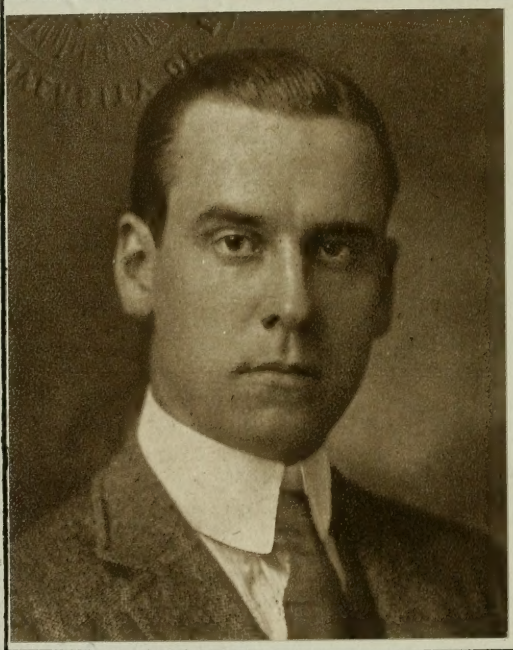

EMMETT HAY NAYLOR

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After graduating from Dartmouth College, Mr. Naylor studied law at the New York Law School and then entered the Graduate School of Harvard University, from where he went to Springfield, Mass., to be for four years Secretary of the Springfield Board of Trade.

While at Springfield he developed a large organization in many of the more modern commercial activities and wrote for the magazines various articles concerning the principles and possibilities of commercial organization work. In recognition he was elected to the honorary offices of President of the New England Association of Commercial Executives and Secretary-Treasurer of the American Association of Commercial Executives. He organized all the Boards of Trade and commercial organizations of Western Massachusetts, Vermont, New Hampshire and Connecticut into the successful Western New England Chamber of Commerce, of which he was made Secretary-Treasurer.

Subsequently he went to New York City to become Secretary-Treasurer of the Writing Paper Manufacturers' Association, a position which he now holds. He is also Secretary-Treasurer of the Cover Paper and the Tissue Paper Manufacturers' Associations. These three associations have a total membership of ninety-eight companies, representing 118 mills, all reporting to and cooperating directly with Mr. Naylor. It is in this field of trade organization work that he is developing his greater and more vital service.

Mr. Naylor has for several years lectured on the subject of commercial and trade associations before the graduate schools of Dartmouth College and of Harvard and New York Universities.

NOTE:—This Lecture, which is based upon the author's ripe experience in his special field, should be read in the light of the Modern Business Text, and should be studied as an authoritative message from the field of present-day business activity.

The Value of Trade Associations

By

EMMETT HAY NAYLOR

The story of the trade association could be told as a romance or it could be presented as a dry statement of facts and figures. Either treatment, however, would require the scope of a book. All I can do here is to relate how these associations came into being and what they are now doing.

Trade Association and Commercial Organization

To avoid confusion in the use of the terms Trade Association and Commercial Organization, I shall at the outset differentiate them. A Trade Association is a federation of, or a promoter of, cooperative work among persons or companies manufacturing or dealing in the *same* product. A Trade Association is always known by some specific name, which designates the industry or business in which its members are engaged. Its field of operation is seldom limited to a city, since its members are generally located in various parts, so that its activities extend over a state, territory or nation, wherever any of its members may be located. It must not be confused with an association of labor, known as a Union, as it is quite distinct from such. Its work is intensive, chiefly in the interest of its own members, and to that extent ex-

clusive. A Commercial Organization is a federation of individuals or companies manufacturing or dealing in a *variety* of products. It is commonly known as a Chamber of Commerce, Board of Trade, Business Men's Association, etc. It has a fixed relation to the city or town in which it is located, and its membership is chiefly composed of those who do business or live in that particular city or town, altho some Commercial Organizations have a wider geographical scope of activities. A local association of manufacturers, however, is not usually a Trade Association, since it is frequently made up of persons engaged in various occupations for the purpose of considering and dealing with local conditions.

Is Competition Industrial Warfare?

Some years ago, in a certain industry which may serve as a type, there were several mills located in various parts of this country. Each mill was in effect a little castle in itself where the owner was a feudal lord, ever on the lookout with a keen and suspicious eye for a possible enemy. His knights were his salesmen, whom he instructed to take business at any cost away from his arch enemies—his competitors. He counted it the best kind of business to capture his competitors' trade and customers. His creed was the survival of the strongest and he made a veritable fetich of open, cut-throat competition. To do less was to do nothing, he thought. He had perhaps never met any of his competitors; to him they were just unprincipled, scheming thieves, whom he had no

desire to know or even to recognize, except as a force opposing his own progress. His competitors thought the same of him and of each other. In such a situation each was content if he made a fair living and felt reasonably independent. He congratulated himself secretly, and sometimes openly, upon being a keen, astute business man, skilled in the little tricks of the trade. Like his father, and other such men, he was noted for his business acumen.

Trouble, a Uniting Influence

But a day came when he got into trouble. He ran short of raw material and he couldn't obtain it at any price. With a contract that must be filled, his only way out was to borrow from his nearest competitor, who happened to have a reasonably good stock of raw material on hand, as he had ascertained by simple bribery. It was a bitter pill, but he swallowed it and went to his competitor. He told of his difficulties and was amazed to find his competitor half civilized, indeed, almost human. Before he knew it, he found himself smoking one of his competitor's cigars and was surprised to discover that they had problems in common. They discussed them rather guardedly, but at least with enough frankness to be understood. In the end, the manufacturer went away with the assurance from his competitor of enough raw material to enable him to meet his contract on time. He had a queer feeling. He had been compelled to break a precedent, a sacred principle; yet he found his competitor not such a bad fellow after all. The manu-

facturer was perplexed. Either his competitor had been very kind in granting him the loan, or in so doing he was up to some trick.

The ice had been broken, however, and after that he met his competitor more often. Then came a strike in the industry and about the same time the prospect of a tariff revision. This ended in all the competitors meeting for conference in a middle western city. There wasn't a man there who would believe any other man present under oath, but they were each and all in trouble and each hoped to find a way of helping himself.

Thru several meetings they worked together with much suspicion and some friction, but in the end the strike was satisfactorily settled and the tariff schedule at Washington remained as before. When the work was all over they thought it fitting to celebrate the happy ending with a dinner. By this time each of them had learned that the others were not half as bad as he had thought. A certain fellow-feeling had been awakened and the old uncompromising spirit of distrust and suspicion was somehow gone. Some of them actually felt a little friendly toward one another.

Temporary Cooperation Leads to Permanent Organizations

A well-known text says that it is not good for man to be alone. Despite personal prejudices, man is fundamentally a social being. Tribes, communities, cities, states, nations, give evidence of this sociological and psychological fact. And it occurred to a few of these manufacturers that since cooperation in time of

trouble had been of so much benefit, there might be other problems they could work out together. They decided to come together more often, if only for sociability. Later it seemed well to be a little more authoritative in their acts, to have a better-defined organization: and so they chose a name, adopted by-laws, and lo, a trade association was born!

At the outset the organization failed of the support of some of the competitors, but soon secured a majority and proved well worth while. So many important matters came up that they decided to establish an office and employ a secretary. At first they thought of choosing a secretary from among their own number, but fear of possible prejudice on his part led them to select an outside man in whom they had confidence and who they felt would be perfectly impartial.

More frequent meetings were held, and the oftener they met the more they found there was to do. One of the first things they wanted to do was to discuss and, if possible, determine the prices at which they were to sell their commodities, but they had a hazy notion of certain restrictions imposed by the Federal laws, and feared lest they might inadvertently render themselves liable to indictment. To make sure of that point they retained a lawyer, who advised them at all their meetings just what they could and what they could not legally do.

Information Service Developed

Eventually their association worked around to the salient principle that if its members were properly

informed regarding exact market conditions, there was little likelihood that any of them would make a serious mistake in the sale of his product. They recognized that the tendency to cut prices and sell below cost usually arose from ignorance of exact market conditions, and that frequently such ignorance could be attributed to information received from unreliable sources.

In order that they might know as definitely as possible what the supply and demand of the market would be, they decided to have their secretary compile, at regular intervals, statistics that would show exactly how the market stood. The members severally agreed to furnish the secretary confidentially the information necessary to compose these reports. The secretary was not to make public the private information received from members, but was to issue all statistics in summaries. Since in this industry the product was a large machine, it was possible for the competitors to give readily full information regarding production, orders and shipments, tho this could be done almost equally well in many other industries where smaller articles of a more varied character were made.

In order that he might give correct information, it was found necessary for each member to know what it cost him to manufacture his product. At first a few of the members who had good cost systems showed some of their competitors the principles and proper practice of cost accounting; for they rightly assumed that a competitor who knows his costs is

less to be feared than one who runs his business by rule-of-thumb methods. Gradually, the industry approached a reasonably uniform cost basis.

We must not think, however, that all this work of establishing sources of information, a uniform cost system, etc., was accomplished in a few months. Much time was consumed and much talking and urging was required before certain members would consent to give the secretary the desired information. It was not until several years had passed that all the manufacturers of the industry were convinced that they should be members of the association, and not until considerably later that all were willing to furnish information, or to consider a uniform cost system.

The Record of a Trying Year

The record shows clearly what this cooperation, based on correct information, has done for that particular industry in the past year. For many American industries 1915 was a very trying year, especially so for the industry in question. But while orders and production fluctuated considerably thruout the year, prices remained uniform. Toward the latter part of the year, as the cost of raw material increased, prices advanced proportionately.

This result was directly traceable to the association, since every member knew exactly, when he received his weekly report, that he was getting his share of business. The reports of prices obtaining in the raw material market were also carefully observed.

Business was indeed poor, but each manufacturer knew that he was no worse off than his competitors. He did not fear, as he might have done previously, that some one else was getting his business away from him; therefore he had no inclination to send his salesmen out to sell his product at a lower figure. Prices did not decline.

In this case there was no collusion, agreement, meeting of minds, or anything of the kind. Each manufacturer was simply informed as to the exact market conditions and used his own individual and independent judgment. The results as shown by statistics were that, where, under much less trying circumstances, the aggregate industry would probably have lost many hundreds of thousands of dollars thru undercutting of prices and ruinous competition, the intelligent cooperation of these manufacturers had saved them between $5,000,000 and $6,000,000. No hard feelings had been engendered and both manufacturers and customers were well satisfied. A year that otherwise might have proved disastrous had ended with a fair degree of success, viewed from the standpoints of harmony, satisfaction and profits. Nor should it be forgotten that where prices are cut recklessly and where every man tries to undersell the other, the disastrous result is not merely temporary, since the industry requires several years to recover from the effect of such conditions.

The association whose experience has been narrated is now one of the many strong trade associations in the United States. Its members are doing many

other things of a cooperative nature, such as working together on freight rates, insurance, credits, trade abuses, etc. One result of such cooperation is seen in the fact that not long ago, when a part of the industry was affected by a local strike situation, the competitors in that particular district got together and appointed one of their members whom they gave power of attorney, that he alone might represent them in this labor difficulty, which he did successfully.

What has been accomplished is further shown by a remark of one of these manufacturers. He said: "I used to think that Smith was one of the meanest and most contemptible men that ever drew the breath of life, but since I have come to know him at our meetings and have visited him at his mill, I have found him to be one of the finest men whom I have ever had the honor to know." Men who several years ago would not trust one another even in the smallest matter are now working together, and are not only making larger profits but are working more happily than they ever thought possible under former conditions.

Methods of the Organization

It is not possible here to describe in detail how these trade associations are conducted, but such information is readily obtained from some of the experienced secretaries in trade association work.

The reader will appreciate, I am sure, that to be successful, a trade association requires unselfish cooperation on the part of its members; that no man

has the right to give away his goods in order to injure his competitor; that no man has the right to sell goods at less than cost in order to injure his competitor, or to sell goods in any manner injurious to his competitor. The moral advantage of this open competition may be realized if we imagine what would be the pleasure of watching an automobile race if two machines were running on opposite sides of a board fence and you could see only one machine. When you can see a number of machines competing, every one with an open right of way, a fair and free race, the sight is inspiring, and it is a similar inspiration that comes to the man who belongs to a trade association and is willing to play fair to the full extent with his competitors.

Competition Curbed but Not Eliminated

We must not get the idea that competition should be eliminated. It is an old saying that competition is the life of trade, but it now has been demonstrated that cooperation is the real lifeblood of trade, and that competition is merely the necessary tonic. False competition exists where several bidders are kept in the dark regarding one another's bids. Suppressed competition is found where several bidders get together and attempt to fix prices and keep the purchaser in the dark. The former is prohibited by common sense and the latter by law. The true and new competition does away with secret and monopolistic prices and deals only on the frank basis of an open price. The new kind of competition re-

quires that all elements entering into the cost and production of the work be reasonably disclosed; that work on hand and the terms and conditions upon which it is being done, as well as the work in prospect, be known. When manufacturers in a given industry are ready and willing to give one another this information thru the secretarial office, they will reap the reward in larger returns.

A manufacturer once said to me when I was endeavoring to get some information of this nature from him, that he did not intend to open his ledgers and disclose his private business to me. My reply was that I did not ask to know anything about his private business, but merely desired to find out the general tendency of his business as regards orders, production and shipments. All the information a secretary needs to have from a manufacturer is that which, with similar information from others, will show the manufacturer in return what are the general tendencies of the market. No association can ever hope to prepare statistics that will show exact conditions in every detail, but it is possible to publish statistics that are sufficiently accurate to indicate clearly and truthfully general market tendencies.

Trade Association an Old Institution

Trade associations are as old as human relations. Even in the earliest ages we find that the bakers cooperated, as did the cheese makers and spice merchants, as well as the apothecaries and many other dealers in staple commodities. In the Middle Ages

guilds and crafts flourished, which have to some extent their modern counterparts in trade and labor associations. The shipping companies or syndicates in Holland, the Venetian merchant leagues and other organizations showed many years ago the inevitable need of cooperation. Of course, types of organization have changed considerably in coming down to our time. The guild was a very exclusive organization, but was overthrown by the introduction of the factory system with cheap labor and the sacrifice of quality for quantity.

In our own time we have known of pools formed for the purpose of limiting available supplies, maintaining fixed prices, distributing territory and dividing profits. These pools, of course, were eventually and properly prohibited by law.

All are doubtless familiar with three common forms of cooperation. Partnerships represent cooperation among individuals, corporations are merely a larger form of partnership, and trusts are simply cooperation among partnerships or corporations. We are also familiar with two common and distinct cooperative forces. The purpose of one is to increase production and lower prices, and that of the other to control production and increase prices. Consolidations, unions of labor and unions of farmers, and trade associations—all manifest the cooperative movement in varying degrees. These manifestations, however, are controllable by practice and by law, and the question is now how far one can legally move in this respect.

Provisions of the Sherman Law

We may look upon the Sherman Law as a "big stick" placed in the hands of the Attorney-General and the Department of Justice, with which they delight to smash business right and left. We may think that this law is something which the reformers have "wished upon" the business man, to be an eternal millstone around his neck. The law, however, is not half so bad as some seem to think; indeed, if properly understood, it is seen to be a constructive and helpful law. It is certainly not an incubus, and should not be considered such.

The Sherman Law really has just two sections particularly relevant to this consideration that clearly state how far cooperation may be carried. The first section stipulates that trade between the several states may not be restrained by contract or combination. The second section states that no person or group of persons shall combine or conspire to monopolize any trade. The law fixes a definite fine for such violation. For our present purpose, that is all there is to the Sherman Law.

It is interesting to know that this law is really founded on the Common Law of England. Years ago contracts in restraint of trade were only such as those whereby a man bound himself not to carry on his business or calling in any part of the Kingdom of Great Britain. Monopolies, on the other hand, were originally in the nature of grants from the Crown. These, however, were gradually abolished, and monopolies gave birth to a new scheme called

"engrossing," which was nothing more or less than the obtaining by an individual or a group of individuals of a large proportion of the trade of some commodity and the control of its price. This "engrossing," however, was later done away with. We now find only a faint trace of these former English customs in the privilege of announcing "by special appointment to his Majesty," etc. It is readily seen then that restraint of trade and monopolies have long been bed-fellows and that the Sherman Law necessarily must deal with both.

This law is not, however, unreasonable, for the court in deciding the Standard Oil case, for example, laid down what is known as the "rule of reason," which demands that each case be decided as a particular or individual act, as to whether or not it unduly restrains trade. The word "unduly" in this case is largely the keynote of the application of this law against restraint. The real intent of the parties is also taken into consideration. The courts have recently decided that certain actions which have been considered as restraining trade do not come under this law, since they do not unduly restrain any trade.

Application of the Law

Of late there has been a decided change in the attitude of the government toward business, with regard to the application of this law, and as a result there is a growing feeling of security. Fortunately, business is overcoming its original timidity regarding this law, and no longer considers it a legal cudgel much to be

feared. None the less an association, in endeavoring to do its work legally, should not, as stated before, act without the advice of competent counsel. Common sense and good intention will guide many an association in the right paths, but it is just as well always to receive assurance from a reliable lawyer. And a lawyer in such an instance will be more than careful in giving his advice to an association, since in case of bad counsel he himself would be deeper in the mire than the association that he advised.

Some of the things which, under the Sherman Law, an association may not do are as follows: Its members may not agree among themselves, either orally or in writing, to have a common, fixed, and unalterable price. Nor may the members agree to limit their output or allot territory in which to confine their sales or distribute business. These restrictions, however, are all qualified by the "rule of reason." If a course of conduct has no appreciable effect on competition; if its effects are remote and indirect and if the ordinary channels of trade are not clogged or obstructed, then such conduct is deemed by the courts unobjectionable. If the chief purpose and dominant effect of the action of a trade association are to foster and develop business without unduly restraining trade, the association is legally safe.

More important, perhaps, are the things which an association may do. The association may agree upon, adopt and use trade customs relating to weights, qualities, cash discounts, methods of payment, credits, etc.; it may appoint exclusive agents in

certain territories; it may gather, compile and disseminate statistics as to the trade, supply and cost of raw material, including total amounts sold and prices at which sold; it may investigate and adjust unfair business methods of wholesalers, jobbers or customers, as the case may be, and may adopt a uniform cost system. These are some of the things which may legally be done by a trade association, much to the benefit of its members.

The Newer Federal Laws

The Clayton Anti-Trust Act and the Federal Trade Commission Act have not thrown any new light upon the meaning or interpretation of the Sherman Law. The Clayton Act makes it unlawful to discriminate directly or indirectly in prices between different purchasers when the effect of such discrimination will substantially lessen competition or tend to create a monopoly; but it expressly permits a discrimination if made in good faith for the purpose of meeting competition. The Act also provides that a manufacturer may select his own customers, if this be done for bona fide purposes; but it forbids the selling to a purchaser upon an agreement that he will purchase from no competitor, provided such an agreement substantially lessens competition and tends to grant a monoply.

The Federal Trade Commission Bill declares that unfair methods which substantially lessen competition are unlawful. It is not known exactly what the court's interpretation will be of the phrase, "sub-

stantially lessen competition," or of "unfair methods of competition," but it is assumed, as indicated by the present attitude of the Federal Trade Commission, that a trade association that proceeds in a straightforward, honest manner, need expect nothing but hearty assistance and cooperation from the Federal Trade Commission, and from the departments of Commerce and Justice. This, then, gives us an idea of what recent legislation in this regard includes, and shows that, after all, a trade association need not, for fear of legal interference or encumbrance, hesitate to go forward in an honest endeavor to benefit its particular industry.

Price Maintenance

If you are a member of a trade association, or if you expect to become one, your reason is or will be that the association will have a direct effect upon the price for which you sell your product. The question of price is the keynote of all association work, and everything that an association does contributes to this end. Even the fundamental advantage of mere sociability is that friendly feelings tend to eliminate a desire to cut prices.

As soon as one mentions the subject of price, however, the average business man shudders in fear of the law; but, as explained before, there is no reason to deny that a trade association exists by reason of its favorable influence upon market prices, and there is no reason to fear the law if the association works properly to this end. Information as regards produc-

tion, cost, freight rates, labor conditions, etc., all has to do ultimately with their effect upon price. Therefore, the crux of this question of the activities of a trade association is the legal maintenance of prices.

The old secret price was a cloak for fraud, deceit, and unfair discrimination. It impaired efficiency; it did more than anything else to harm the healthy growth of business. The open price, on the other hand, altho apparently revolutionary, in view of the custom of many years, is a positive stimulant to business and to efficiency.

The maintenance of prices requires first of all, that the members of an association know their costs. As stated before, no one can make a price intelligently, no matter how many years of experience he may have had, if he uses guesswork. Some manufacturers feel that cost systems are something new, and that they belong to mere theoretical efficiency, yet cost systems are nothing more or less than common sense, which surely is not, or ought not to be, new. They are the means of knowing how much it costs one to manufacture a commodity, taking into consideration all items of overhead, charging off especially interest on the real estate, building, insurance and similar items, which are often overlooked by old-fashioned manufacturers in estimating their running expenses.

In the second place, price maintenance demands that the manufacturer know definitely the general market conditions. Many manufacturers still rely for such information upon the not always well-formed opinion of salesmen or of raw-material dealers.

Fortunately, a majority of manufacturers are now beginning to see that intelligent, scientific information is the only rock on which to build business. Some shy at the word "scientific," yet it does not include half so much "red tape" as they think. . If for "scientific" we substitute systematic, the word loses its terrors. "Scientific" methods mean nothing more than thoro, detailed, accurate investigation and information.

The question of the interchange of bids, or the open bid, is one which is being worked out by several of the larger associations. For example, when several of the large companies in the steel industry bid on a contract, each sends a copy of its bid to the secretary, who opens the bids, and when all are received remails copies of all the bids to the members who bid on the particular contract. In this way the members who bid on the contract can know exactly what the other members bid, and if desirable they can get together and discuss the reasons for and against various considerations. Such information in the end is very valuable in building trades and other lines of industry where a great deal of bidding is done for particular jobs. This is the open price or open bid system, the details of the working of which we shall not take time to consider here. If, however, more detailed information on this subject is desired it may be found in Arthur Jerome Eddy's book, "The New Competition," and in Thomas A. Fernley's "Price Maintenance."

Another feature of importance in price maintenance is to establish a standard price-list, and sell by dis-

count. Many manufacturers do not know at what uniform point to start establishing their prices, and a standard price-list solves this difficulty.

Another way in which uniform prices can be ascertained is for the members of an association to register with the secretary their current individual price-lists. These price-lists can then be copied and issued by the secretary. The document or circular merely states what are the prices of the different members. These circulars deal with prices that have been made and published, and no one is compelled to follow them in making his own prices, except in so far as his individual judgment dictates. The secretary, however, in disseminating information on the current prices of members, should be very careful not to inject into the information any advice or suggestions.

A rather interesting case came up in the Missouri courts against the Yellow Pine Association. The secretary having received accurate reports from the members, had thereupon selected arbitrarily certain reports from which he averaged the rates and had sent out this average as a current price sheet for all the members. This practice the Supreme Court of Missouri condemned as a "price boosting" device. Had the secretary simply published the prices and allowed the members to draw their own conclusions, his action would have been legal; but when he undertook to average the price for the various items, he began to dictate or suggest what prices should be. If the current prices of the different members are merely published without comment, they con-

stitute nothing more or less than a market report such as is daily seen in the newspapers.

Discussing, Not Determining Prices

An association should not hesitate to discuss at its meetings, prices as well as costs. At these meetings the association lawyer should be present in order to caution the members if they are inclined to talk prices for the future. The courts have already stated that it is all right to talk of prices in the past tense, and a member may state verbally what his prices are, just as he might state them in writing to the secretary under the above system. There is no harm at all in a man's stating what he is doing, and if such statement influences another person, the latter has a perfect right to do as he sees fit; but no two or more manufacturers have the right to get together and discuss prices and determine or agree that they will maintain or fix certain prices for certain commodities.

This question of discussing prices in the past tense may at first seem a rather useless proceeding, but it is at least legal, and in the end accomplishes just as much as some of the strongest contracts or trade agreements that were made in former days. If a man will make a price and publicly state it when his judgment dictates that the price is not fair under the open-price system, he may later break his word as readily as, under the old-fashioned combination, he would break his agreement. Individual tendencies usually will out. Furthermore, any association which

asserts that at its meetings the members do not discuss cost or price, is one of which the district attorney should be suspicious. There is nothing to be ashamed of in doing that which is legally and morally acceptable. The man who boasts of his morals is generally the man to watch when you are doing business with him. So also the association which pretends that it has nothing whatever to do with fixing prices. As stated before, every association exists primarily because it expects that, directly or indirectly, its actions will eventually affect the prices of its commodities; and if the association works in an honest, straightforward, legal manner, it has nothing to conceal, and nothing of which to be ashamed.

Every association should be conducted so that if at any time the district attorney wants to go thru its files or do any investigating, all the secretary has to do is to turn over to the investigators the keys to his files and all the records of the association's activities.

Mr. Edward N. Hurley, who is Vice-chairman of the Federal Trade Commission and a thorogoing business man, has repeatedly stated that the Federal Trade Commission is doing all in its power to encourage manufacturers in a given industry to adopt a uniform cost system, and that if they do this and cooperate intelligently, they can accomplish not only as much as, but more than, they could formerly under the old agreements and the attempted restraints of trade. In other words, Mr. Hurley, along with a majority of leading men who appreciate the ad-

vantage of association work, is stating plainly that the trade association, properly conducted, is the best means of standardizing and benefiting an industry.

Economic Evolution Thru Commissions

A majority of business men in this country have doubtless felt that the so-called reform legislation to which business has been subjected in the last two decades, has been purely theoretical and has done more harm than good. It is, however, a matter of economic evolution, and if you will analyze carefully the industrial growth and development of this country, you will find that it is analogous in its general aspects to the former economic evolution in Europe. It must be remembered that, as a rule, the industries in this country are at the present time in their infancy, whereas those of Europe have been established for centuries. Our entire industrial fabric has had to suffer more or less from "growing pains" and has had to be doctored by constructive legislation. This evolution and the legislation designed to aid it, however, point to a satisfactory, successful, and propserous end. There are harsh critics of the government who take isolated cases of legislation and try to prove that the tendency of the times is backward rather than forward, but such individuals do not take a broad view of our general industrial growth.

The Interstate Commerce Commission was the first commission of recent times appointed to regulate business. The railroads immediately took a hostile

attitude toward the Commission, and this attitude forced it to investigate rather than cooperate. The recent change of attitude of the railroads toward the Commission, and the good results which are expected from a better understanding, do not need further discussion here.

Subsequently the Federal Reserve law was enacted for the purpose of regulating our finances. The wonderful and stimulating effect of the regulation by the Federal Reserve Board is acknowledged by all.

The latest regulating body is the Federal Trade Commission, whose object is to assist industries. This Commission wants to cooperate with industries and does not wish to be forced to investigate them. The Commission feels that the best way to reach an industry is thru the trade association that represents that particular industry. The Commission strongly supports, and wishes to cooperate with, all trade associations. Thru these associations the Commission wants to establish for each industry a uniform cost system and, as far as possible, to assist each industry to become successful. When we consider that many industries in this country are not even paying expenses, we must acknowledge that this phase of our national industrial "growing-pains" needs some good doctoring.

Any one will realize upon a moment's thought, that within the last few years the entire attitude of the public has changed toward big business in favor of commission assistance rather than commission con-

trol. We no longer read muckraking articles in the magazines. People are tired of them, and what they want now is some constructive work. The Federal Trade Commission wants to do constructive work only with and thru the various trade associations in this country. The Commission has indorsed the open-price plan and all the suggestions which have been presented here.

No one will deny, in view of general tendencies, that our industrial conditions are improving. If the next form of commission control is by means of a permanent, non-partisan tariff commission, composed of experts, we shall be just that much farther along in our economic evolution.

Future of the Trade Association

Altho, as pointed out, the trade association is of ancient origin, yet in view of recent development, its future possibilities are just beginning to be felt. What the conclusion of the war will bring to our trade relations no one dares to predict, except that we must be prepared thru organization to meet some of the keenest competition the world has ever known. The warring nations are cooperating with their allies to form overseas trusts, and certain neutrals have followed their lead. Such trusts are going to carry the war, after its military conclusion, thru many years of violent trade competition and adjustment.

No country is better prepared to develop its industries, in the future as in the past, than Germany. This is due to the organization in that country of

cartels, which are simply trade associations. These cartels, however, are fostered by the Government under a paternalistic policy. If a cartel feels that it should advance the price of its commodity, representatives go before the proper governmental authority and state the reasons why the price should be advanced. If the reasons are sufficient to gain the Government's approval, then the cartel issues a statement that, in the future, prices will be fixed at a certain figure. This practice restrains trade and is monopolistic in principle, but, under that system, is justifiable because of existing conditions.

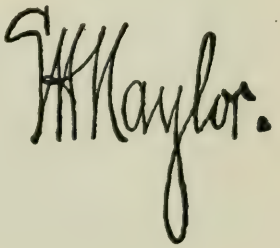
The German system has proved entirely successful. Manufacturers have made a reasonable return on their investment and the public, at the same time, has been able to obtain goods at a reasonable price. Trade demoralization by unfair competition, price-cutting and other similar practices, has been gradually done away with until at the present time it has altogether ceased to exist.

Whether it will be possible to do the same in this country by a further development, approval and control by the government of trade associations, remains to be seen, but our tendencies indicate that eventually this may be done. When a trade association embracing an entire industry is able to go before the Federal Trade Commission and give good reasons for certain contemplated actions which otherwise might be considered illegal—if the Commission feels that the association is justified in so doing and gives its approval, then the trade association will be able

to accomplish just as much to meet existing conditions as the German cartel now does.

One great difficulty which manufacturers and dealers in this country have experienced in affecting the principle of cooperative competition, has been the lack of cooperation among the bankers, whereby manufacturers have been prevented from obtaining the necessary credit for their business. In Germany this question has received careful consideration, and substantial assistance has been rendered manufacturers thru the organization of credit banks, which cordially cooperate with the cartels to develop the business of the country. In the light of present developments, let us hope that the banks will give industries in the United States adequate support.

Cooperation and coordination of effort in business thru a trade association is the true golden mean which every thinking American should hold as the ideal for which to strive thru legislation, and thru the administration of laws. This should govern him in his personal point of view and in all business and social actions.



EcC Modern business Lecture
M6893 Talks #3 (Value of trade associations)

DATE.	NAME OF BORROWER.
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